Implementing ABC at Medicare Contractors







COST

Consumed Resources

Labor Hours / Equipment Usage

Finite

Measurable Units





Rework

COST

Perform Service

ManageStaff

Receive Input





- 1. List people for each activity
- 2. Determine salary and job description
- 3. Determine the % of time that individuals spend doing specific activities
- 4. Multiply time percentages by annual salaries





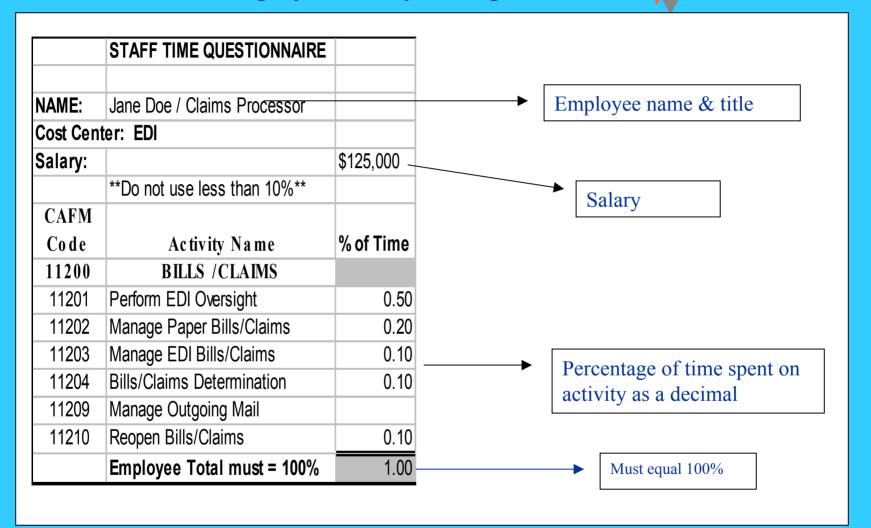
Percentage of Time Methods

- ◆ Time cards & reports
- Interviews with managers
- Observation
- Surveys





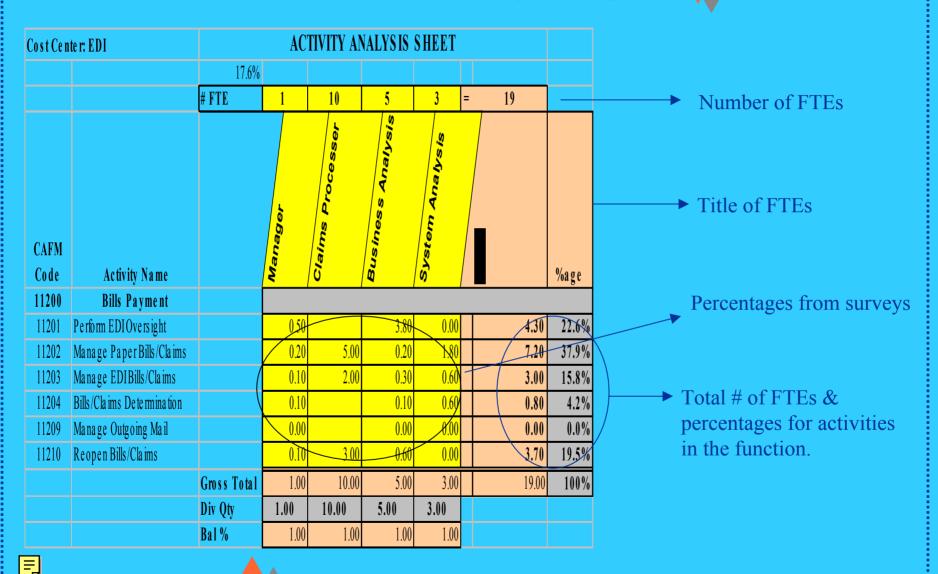
Employee Survey Example







Cost Center Analysis of Staff Time Usage Example



Salary Distribution based on Survey Results Example **▶**Salaries of FTEs Activity Name Bills Payment Perform EDIOversight 62,500 180,500 243,000 25.1% 160,140 37.6% Manage Paper Bills/Claims 25,000 168,575 9,500 363,215 Salary amounts based on 15.3% Manage EDIBills/Claims 14.250 53,380 147,560 12,500 67,430 percentage of time from Bills/Claims Determination 53,380 7.3% 12,500 4,750 20,630 survey. 0.0% Manage Outgoing Mail Reopen Bills/Claims 12,500 101,145 28,500 142,145 14.7% ► Amount & percentage 125,000 237,500 Gross Total 337,150 266,900 966,550 100% of salaries of function.

Expenses Other Than Labor

- Understand your general ledger
- Directly assign expenses when possible
- Use cost drivers and activity drivers





Cost Driver – A factor that causes a change in the performance of an activity and in doing so, affects the resources required by an activity.

Example:

Activity: Perform EDI Oversight

Cost Driver: Complexity of Claim to be submitted by provider

i.e. hospital vs individual practitioner



Activity Driver – a factor used to assign cost from an activity to a cost object.

Example:

Activity: Reopen Bills/Claims

Activity Driver: Number Of Claims Reopened



